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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

March 4, 2020

The Honorable Steven T. Mnuchin  
Chair  
Financial Stability Oversight Council  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue N.W.  
Washington, D.C. 20220

Dear Chair Mnuchin:

After the financial crisis, banking regulators were armed by Congress with powerful tools to ensure the stability and well-functioning of the financial system. Less than a decade later, you and the other members of the Financial Stability Oversight Council (FSOC or Council) have overseen the reduction in capital requirements at the largest and riskiest banks<sup>1</sup>, reduced safety requirements for foreign mega-banks<sup>2</sup>, reduced stress-testing activities across the financial system<sup>3</sup>, and eliminated the monitoring of non-bank financial companies like AIG<sup>4</sup>. At the same time, you've failed to address systemic weaknesses in the leveraged lending market<sup>5</sup> or to use your authority to activate the countercyclical capital buffer<sup>6</sup> in order to offset credit risks building up in the economy. This inaction puts the economy in a precarious position at just the time when faith in the stability and resiliency of our financial markets is most important.

While I am relieved to see that the Council will meet this week to assess emerging threats to the economy from the coronavirus, I am concerned that you and your fellow regulators on the Council have repeatedly failed to take action to make the financial system more resilient, putting our economy at risk as we experience the first period of financial stress under your watch. An OECD report this week called the Covid-19 outbreak the "gravest threat since the crisis,"<sup>7</sup> and your inaction has invited the risk of economic calamity on top of the human suffering that the virus has already caused.

<sup>1</sup> <https://www.federalregister.gov/documents/2019/07/22/2019-15131/regulatory-capital-rule-simplifications-to-the-capital-rule-pursuant-to-the-economic-growth-and>

<sup>2</sup> <https://www.federalregister.gov/documents/2019/11/01/2019-23800/changes-to-applicability-thresholds-for-regulatory-capital-and-liquidity-requirements>

<sup>3</sup> <https://www.federalregister.gov/documents/2019/02/12/2018-27875/amendments-to-the-stress-testing-rules-for-national-banks-and-federal-savings-associations>

<sup>4</sup> <https://www.treasury.gov/press-center/press-releases/Pages/sm0169.aspx>

<sup>5</sup> <https://www.banking.senate.gov/newsroom/minority/brown-banking-watchdogs-put-short-term-profits-over-hardworking-families>

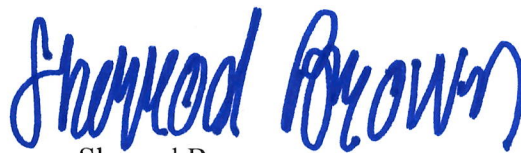
<sup>6</sup> <https://www.banking.senate.gov/newsroom/minority/brown-banking-watchdogs-put-short-term-profits-over-hardworking-families>

<sup>7</sup> <http://www.oecd.org/newsroom/global-economy-faces-gravest-threat-since-the-crisis-as-coronavirus-spreads.htm>

I am also concerned that you remain beholden to the powerful companies you have been charged by Congress with overseeing. The industry has made it clear that no matter what the threat our country faces, their priority remains gutting rules that protect our economy because they curb bank profits.<sup>8</sup> You must resist the temptation to again favor corporate profits over economic stability.

I respectfully request that you brief members of the Senate Committee on Banking, Housing and Urban Affairs at the earliest time possible after this week's meeting to communicate the Council's plans to address the potential threat of an economic downturn. We also request a representative from each of the FSOC's member agencies to be present at the briefing to describe the steps each agency will take to implement the Council's plan, as well as the steps they will take to rebuild and restore the protections put in place after the last financial crisis to guard against financial instability that this Administration has recklessly removed.

Sincerely,



Sherrod Brown  
Ranking Member

cc: Hon. Jerome H. Powell, Chair, Board of Governors of the Federal Reserve System  
Hon. Joseph Otting, Comptroller, Office of the Comptroller of the Currency  
Hon. Kathleen Kraninger, Director, Consumer Financial Protection Bureau  
Hon. Jay Clayton, Chair, Securities and Exchange Commission  
Hon. Jelena McWilliams, Chair, Federal Deposit Insurance Corporation  
Hon. Heath Tarbert, Chair, Commodity Futures Trading Commission  
Hon. Rodney Hood, Chair, National Credit Union Administration  
Hon. Thomas E. Workman, Independent Member Having Insurance Expertise, Financial Stability Oversight Council  
Hon. Mark Calabria, Director, Federal Housing Finance Agency  
Hon. Dino Falaschetti, Acting Director, Office of Financial Research  
Steven Seitz, Director, Federal Insurance Office  
Charles G. Cooper, Commissioner, Texas Department of Banking  
Eric Cioppa, Superintendent, Maine Bureau of Insurance  
Melanie Lubin, Securities Commissioner, Maryland Office of the Attorney General

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<sup>8</sup> <https://bpi.com/actions-the-fed-could-take-in-response-to-covid-19/>